

earnings 18 per cent and net earnings 32 per cent from 89 cents to \$1.17 per share. The higher tax credit in 1970 resulted from exemption on an increased proportion of income from use of a greater tonnage of iron pellets from the mine leased at Steep Rock Lake.

Work is progressing satisfactorily on the 160" Plate Mill and, unless there should be unforeseen delays, trial rollings are expected in the third quarter of 1971. It is planned to start construction of the second basic oxygen steel plant this fall with completion scheduled for the last quarter of 1972.

Algoma and the two major Hamilton steel companies presented a joint Brief on the White Paper on Tax Reform to committees of Parliament in May. Representatives of the companies appeared before these committees and expressed deep concern with respect to some of the proposed revisions with emphasis on the probable serious effects of reduced tax incentives to iron ore mining on the steel industry and national economy. Initial reactions seemed favourable.

The "floating" of the Canadian dollar should not have a detrimental effect on the Corporation unless it should move closer to parity with the United States dollar than appears likely.

There have been indications of softening in demand for some products but the overall market for steel is strong. If the automobile industry is not shut down for an extended period as a result of labour negotiations, high production and shipment levels should continue for several months. However, expiry on September 30th of the three-year tax exemption on income from iron pellets from the leased mine at Steep Rock Lake will reduce net earnings in the last quarter of the year.

D. S. HOLBROOK

CHAIRMAN and PRESIDENT

Sault Ste. Marie, Ontario

July 27, 1970.



# QUARTERLY REPORT TO SHAREHOLDERS

for the period ended

June 30, 1970

THE ALGOMA STEEL  
CORPORATION, LIMITED



# QUARTERLY REPORT

for the period ended June 30, 1970

To the Shareholders of The Algoma Steel Corporation, Limited:

Consolidated unaudited results for the second quarter and first six months of 1970, with details of the source and application of funds for the half year, are summarized below with figures for comparable periods last year.

	Three Months Ended June 30		Six Months Ended June 30	
	1970	1969	1970	1969
(thousands of net tons and dollars except per share data)				
<b>EARNINGS</b>				
Raw steel production .....	N.T. 643	601	N.T. 1,279	1,202
Net sales .....	\$ 68,661	61,900	\$ 134,109	118,584
Depreciation and amortization .....	\$ 4,604	4,561	\$ 9,125	9,117
Earnings before income taxes .....	\$ 6,299	6,114	\$ 10,495	8,883
Income taxes .....	\$ (874)	35	\$ (3,128)	(1,405)
Net earnings .....	\$ 7,173	6,079	\$ 13,623	10,288
Net earnings per share .....	\$ .61	.52	\$ 1.17	.89

## SOURCE AND APPLICATION OF FUNDS

### FUNDS WERE PROVIDED BY

Current operations .....	\$ 19,620	\$ 19,405
Investments reserved for expansion at end of previous year .....	—	10,000
Other — net .....	1,374	179
	<u>\$ 20,994</u>	<u>\$ 29,584</u>

### FUNDS WERE APPLIED TO

Plant and equipment additions and mine development .....	\$ 14,804	\$ 21,541
Purchase of series A debentures .....	—	146
Payment of dividends .....	2,902	5,804
	<u>\$ 17,706</u>	<u>\$ 27,491</u>

WORKING CAPITAL at end of June .....	<u>\$ 51,837</u>	<u>\$ 72,452</u>
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*Figures are unaudited and include estimates subject to adjustment when results for the full year are determined and audited.*

Continued strong demand for steel products and further improvements in operating performance resulted in higher sales and net earnings in the second quarter of 1970.

Both raw steel production and sales reached record levels in the first six months. Comparing results for the half year with the same period in 1969, sales increased 13 per cent, pre-tax